

TRI-CITY FIRE DEPARTMENT

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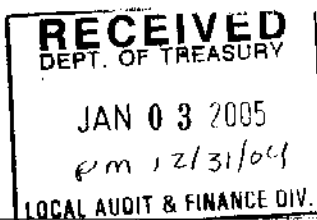
Report on Audit of Accounts

June 30, 2004

JANZ & KNIGHT
A PROFESSIONAL LIMITED LIABILITY COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
BLOOMFIELD HILLS, MICHIGAN

Auditing Procedures Report

Issued under P.A. 2 of 1969, as amended.



Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name**See Note Below Tri-City Fire Department	County Oakland
Audit Date June 30, 2004	Opinion Date November 10, 2004	Date Accountant Report Submitted to State: December 30, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGR).			X

Certified Public Accountant (Firm Name) Janz & Knight, P.L.C.			
Street Address 300 East Long Lake Road, Suite 360	City Bloomfield Hills	State MI	ZIP 48304-2377
Accountant Signature <i>J.M. Janz</i>		Date 12/30/04	

**Note - The Fire Department is supported by equal contributions from the communities of Keego Harbor, Orchard Lake and Sylvan Lake.

TRI-CITY FIRE DEPARTMENT

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JANZ & KNIGHT, P.L.C.

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50
YEARS
1954-2004

MEMBERS

AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
MICHIGAN ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Members of the Board
Tri-City Fire Department

We have audited the accompanying financial statements of the governmental activities and each major fund of Tri-City Fire Department, as of and for the year ended June 30, 2004, which collectively comprise the Fire Department's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Tri-City Fire Department management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund of the Tri-City Fire Department, as of June 30, 2004 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note B, the Fire Department has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of June 30, 2004.

The management's discussion and analysis and budgetary comparison information as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Very truly yours,

Janz & Knight, P.L.C.

Certified Public Accountants

Bloomfield Hills, Michigan
November 10, 2004

TRI-CITY FIRE DEPARTMENT

June 30, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Tri-City Fire Department's (the Fire Department) management's discussion and analysis is designed to assist the reader in focusing on significant financial issues, provide an overview of the Fire Department's financial activity, identify changes in the Fire Department's financial position (its ability to address the next and subsequent years' challenges), identify significant variances from the approved budget, and identify individual fund issues or concerns.

Using this Annual Report

The Fire Department's annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Fire Department as a whole and present a longer-term view of the Fire Department's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Fire Department's operations in more detail than government-wide financial statements.

Government-Wide Financial Statements

The government-wide financial statements consist of the Statement of Net Assets and Statement of Activities. They are designed to be corporate-like in that all governmental funds are consolidated into columns which add to a total for the primary government. These statements include all assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are also taken into account regardless of timing of cash being paid or received.

The Fire Department as a Whole

Net Assets - The Fire Department's combined net assets were \$1,766,428 at the close of the year ended June 30, 2004. This represents a decrease of \$175,163 or a 9% decrease from a year ago. The majority of this decrease was budgeted. The Fire Board decided to subsidize current year expenditures, with prior year fund balance. Depreciation has also contributed to the decrease.

Since this is the first year the Fire Department has presented government-wide financial statements, comparisons to the prior year have not been presented. In future years, when prior year information is available, a comparative analysis of government-wide data will be included.

The following table reflects the condensed Statement of Net Assets for the year ended June 30, 2004:

Table 1
Statement of Net Assets

	<u>Governmental Activities</u>
ASSETS	
Current and other assets	\$ 285,743.46
Capital assets	<u>1,492,093.83</u>
Total assets	<u>\$1,777,837.29</u>
LIABILITIES AND NET ASSETS	
Current and other liabilities	\$ 11,408.95
Total liabilities	\$ 11,408.95
Net assets:	
Invested in capital assets, net of related debt	1,492,093.83
Unrestricted	<u>274,334.51</u>
Total net assets	<u>\$1,766,428.34</u>
Total liabilities and net assets	<u>\$1,777,837.29</u>

TRI-CITY FIRE DEPARTMENT

June 30, 2004

Unrestricted net assets are net assets that can be used to finance day to day operations. Designated net assets of the Fire Department totaled \$274,048. These net assets have limitations on their use that were imposed by the Board. The investment in capital assets represents the Fire Department's capital assets that provide services to citizens; accordingly, these assets are not available for future spending.

The following table shows the changes in net assets for the year ended June 30, 2004:

Table 2
Changes in Net Assets

	Governmental Activities
Program Revenue:	
Charges for services	\$ 477,447.84
General Revenue:	
Investment income	3,128.61
Miscellaneous	(3,170.67)
Loss on donation of assets	(11,529.58)
Total revenue	\$ 465,876.20
Program Expenses:	
Public safety	641,038.76
Total program expenses	\$ 641,038.76
Increase (decrease) in net assets	\$ (175,162.56)
Net assets - July 1, 2003	1,941,590.90
Net assets - June 30, 2004	\$1,766,428.34

As shown in the above table total revenues were \$465,876, of which the majority of revenues were obtained from participating cities. Total expenses were \$641,039, of which 86.6% of the Fire Department's expenses related to the contract with West Bloomfield for operations.

The Fire Department Funds

The analysis of the Fire Department's major funds begins on page 6, following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Fire Department as a whole. The Fire Department Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Fire Department's major fund for 2004 is the General Fund.

The General Fund is the main operating fund of the Fire Department. Total revenues for the year were \$477,406. Of this revenue, contributions from City's accounted for the majority of the total revenue. Total expenditures for the year were \$573,476. This included \$555,000 paid to West Bloomfield Township for fire protection. At June 30, 2004 the unreserved fund balance of \$274,335 represented 48% of the total General Fund expenditures for the year.

General Fund Budgetary Highlights

Over the course of the year, the Fire Department Board did not amended the budget.

The Fire Department overall stayed below budget, resulting in total expenditures of \$40,289 below budget. The General Fund's fund balance did decrease \$96,070, but appropriations from prior year fund balance was budgeted at \$128,901.

TRI-CITY FIRE DEPARTMENT

June 30, 2004

Capital Asset and Debt Administration

Capital Assets

At the end of fiscal year 2004, the Fire Department had \$1,492,093.83 invested in a broad range of capital assets (net of accumulated depreciation), including buildings and fire equipment. The Fire Department leases its assets to West Bloomfield Township for \$1.00, annually.

Long-Term Debt

The Fire Department's total indebtedness as of June 30, 2004 is none.

Economic Factors and Next Year's Budgets and Rates

The Fire Department's fiscal 2005 budget was prepared using various economic factors as follows:

Revenues

The Fire Department will assess participating City's an amount equal to West Bloomfield's contracted services, since no undesignated fund balance remains.

Expenditures

The contracted services from West Bloomfield will increase 5% per contract.

The fiscal 2005 General Fund budget expects a surplus of approximately \$4,400. Accordingly, the Fire Department is planning on using this surplus to restore the designated truck fund. The projected General Fund's fund balance at June 30, 2005 is approximately \$278,700 which represents approximately 47% of the General Fund expenditures for the year.

Request for Information

This financial report is intended to provide citizens, taxpayers, customers, and investors with a general overview of the Fire Department's finances and to show the Fire Department's accountability for the money it receives. If you have any questions or concerns about this report or need additional information, contact the Fire Department, at the Tri-City Fire Department, 3300 Orchard Lake Road, Orchard Lake, Michigan 48342.

TRI-CITY FIRE DEPARTMENT

STATEMENT OF NET ASSETS

June 30, 2004

	Governmental Fund Types General Fund
ASSETS	
Cash and investments	\$ 283,016.08
Accounts receivable	2,727.40
Capital assets, net	1,492,093.83
Total assets	<u>\$1,777,837.29</u>
LIABILITIES AND NET ASSETS	
Accounts payable	\$ 11,408.95
Total liabilities	\$ 11,408.95
Net assets:	
Invested in capital assets	1,492,093.83
Fund balance - unreserved:	
Designated for fire trucks	274,334.51
Total net assets	<u>\$1,766,428.34</u>
Total liabilities and net assets	<u>\$1,777,837.29</u>

The attached notes are an integral part of the financial statements.

TRI-CITY FIRE DEPARTMENT

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2004

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for	Operating	Capital	Revenue and
		Services	Grants and	Grants and	Changes in
			Contributions	Contributions	Net Assets
Primary government					Governmental
Governmental activities:					Activities
Public safety	\$ 641,038.76	\$477,447.84	\$ -	\$ -	\$ (163,590.92)
Total governmental activities	\$ 641,038.76	\$477,447.84	\$ -	\$ -	\$ (163,590.92)
Total primary government	\$ 641,038.76	\$477,447.84	\$ -	\$ -	\$ (163,590.92)
General revenues:					
Interest income					3,128.61
Miscellaneous					(3,170.87)
Special item:					
Loss on donation of assets					(11,529.58)
Total general revenues and special item					\$ (11,571.64)
Changes in net assets					\$ (175,162.56)
Net assets - July 1, 2003					1,941,590.90
Net assets - June 30, 2004					\$1,766,428.34

The attached notes are an integral part of the financial statements.

TRI-CITY FIRE DEPARTMENT

GOVERNMENTAL FUND
BALANCE SHEET

June 30, 2004

	General Fund
ASSETS	
Cash and investments	\$ 283,016.06
Accounts receivable	2,727.40
Total assets	\$ 285,743.46
LIABILITIES AND FUND EQUITY	
Accounts payable	\$ 11,408.95
Total liabilities	\$ 11,408.95
Fund balances:	
Unreserved:	
Designated for fire trucks	274,334.51
Total fund balances	\$ 274,334.51
Total liabilities and fund balances	\$ 285,743.46
Total governmental fund balances	\$ 274,334.51
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources, and are not reported in the governmental funds:	
Governmental capital assets	1,975,969.91
Less accumulated depreciation	(483,876.08)
	<u>\$1,492,093.83</u>
Net assets of governmental activities	\$1,766,428.34

The attached notes are an integral part of the financial statements.

TRI-CITY FIRE DEPARTMENT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUND TYPES

For the year ended June 30, 2004

	<u>General</u>
Revenues:	
Charges for services:	
Assessments for fire protection.	\$ 477,447.84
Interest income.	3,128.61
Miscellaneous:	
Loss on sale of security	(3,519.41)
Donations.	100.00
Other.	<u>248.74</u>
Total revenues	\$ 477,405.78
Expenditures:	
Public safety.	573,475.93
Capital outlay	<u>-</u>
Total expenditures	<u>\$ 573,475.93</u>
Excess of revenues over (under) expenditures	\$ (96,070.15)
Fund balance, beginning of year.	<u>370,404.66</u>
Fund balance, end of year.	<u><u>\$ 274,334.51</u></u>

The attached notes are an integral part of the financial statements.

TRI-CITY FIRE DEPARTMENT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2004

Net change in fund balances - total governmental fund \$ (96,070.15)

Amounts reported for governmental activities in the
statement of activities are different because:

Governmental funds report proceeds from sale; in the statement
of activities, only the respective gain or loss is recognized . . . (11,529.58)

Governmental funds report capital outlays as expenditures;
in the statement of activities, these costs are allocated
over their estimated useful lives as depreciation:

Expenditures for capital assets	(87,562.83)
Less current year depreciation	<u>\$ (67,562.83)</u>

Change in net assets of governmental activities	<u><u>\$ (175,162.56)</u></u>
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JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

The attached notes are an integral part of the financial statements.

TRI-CITY FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE A - Summary of Significant Accounting Policies

The accounting policies of the Tri-City Fire Department conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Tri-City Fire Department.

Reporting Entity

Based on the Tri-City Fire Protection Agreement adopted November 1, 1968 the Tri-City Fire Department provides fire protection for the Michigan communities of Keego Harbor, Orchard Lake Village and Sylvan Lake. The three cities contribute equally towards funding the fire department's annual expenditures. The governing body of the Tri-City Fire Department is made up of two members from each city. The fire protection agreement is an annual agreement and can be renewed by the governing bodies of each of the cities. Any city may withdraw from this agreement as of the last day of the term or at any time upon not less than six months notice. Each city is obligated to pay to the Tri-City Fire Department an amount equal to one-third of the total approved annual budget of the Tri-City Fire Department.

As of July 1, 2003 Tri-City Fire Department has contracted with West Bloomfield Township to provide full-time fire protection and Advanced Life Support. The participating cities agree to pay the Township through the Fire Board, who will in turn pay the Township on behalf of the cities.

The initial term of this agreement shall be for 8 (eight) years. Provided that the three cities and Fire Board are not in default, the term shall be automatically extended for up to 4 (four) additional and separate 5 (five) year terms.

Quarterly payments are payable on the first day of July, October, January and April. Subsequent year's payment will increase 5% annually. For the year ended June 30, 2004 the Fire Department paid West Bloomfield Township \$555,000.

The Fire Board is leasing the real property and its equipment and supplies to the Township for \$1.00, annually.

Government-Wide and Fund Financial Statements

During the year the Fire Department adopted Governmental Accounting Standards Board (GASB) Statement No. 34, which substantially revised the financial statement presentation as described below.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Interest and other items not properly included among program revenues are reported instead as general revenue.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

TRI-CITY FIRE DEPARTMENT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2004

NOTE A - Summary of Significant Accounting Policies (continued)

Revenues are recognized in the accounting period in which they become susceptible to accrual--that is, when they become both measurable and available to finance expenditures of the period. All other revenue items are considered to be available only when cash is received by the government.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue.

Governmental Funds:

The Fire Department reports the following major governmental funds:

General Fund

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Assets, Liabilities, and Net Assets or Equity

Investments

Deposits are carried at cost and consist of investments in short-term investments.

Receivables

All trade receivables are considered fully collectible by the Fire Department. No provision has been made in the financial statements for noncollection.

Capital Assets

Capital assets, which include land, buildings, vehicles, furniture and equipment are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$2,500. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets that are being depreciated are reported net of accumulated depreciation in the statement of net assets. Capital assets that are not being depreciated, such as land, are reported separately.

Capital assets are depreciated over their estimated useful lives. Depreciation expense is reported in the statement of activities by allocating the net cost over the estimated useful life of the assets. Assets are depreciated on an individual basis for equipment and buildings.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

	<u>Years</u>
Buildings	50
Vehicles	7-20
Furniture and Equipment	5-20

Fund Equity

In the fund financial statements, governmental funds report designations of fund balance, these are tentative management plans that are subject to change.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

TRI-CITY FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE B - Accounting and Reporting Changes

GASB 34

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments*. The Tri-City Fire Department has applied the provisions of this statement in the accompanying financial statements (including the notes to financial statements). The Fire Department has elected to implement the general provisions of the statement in the current year. Certain significant changes in the statement include the following:

1. A management's discussion and analysis (MD&A) section providing an analysis of the Fire Department's overall financial position and results of operations.
2. Financial statements prepared using full accrual accounting for all of the Fire Department's activities.
3. A change in the fund financial statements to focus on the major funds.
4. Capital assets at July 1, 2003 previously reported in the General Fixed Assets Account Group have been adjusted by approximately \$117,200 to reflect the historical cost of the Fire Department's capital assets at that date.

NOTE C - Expenditures Over Budget

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund. All annual appropriations lapse at year end. The Fire Department's appropriation resolution is generally passed during the preceding year in which the planned expenditures relate. Subsequent amendments are made to avoid unfavorable variances from the original budget. Related resolutions are made to state the purpose and amount of the changes. The Board Chairman has the responsibility to enforce the budget. Unused appropriations do not carry forward to the next year.

The budget document presents information by fund, function, department and line items. The legal level (the level at which expenditures may not legally exceed appropriations) of budgetary control adopted by the board is at the department (activity) level.

The Fire Department Board must approve budget amendments at the activity level and supplemental appropriations, which affect total fund expenditures. The Board Chairman can transfer appropriations between line items within a department or activity without governing body approval.

Amounts encumbered for purchase orders, contracts, etc., are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

P.A. 2 of 1968 as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated in budget resolutions of the governing body.

Excess of Expenditures Over Appropriations in Budgeted Funds

During the year, the Tri-City Fire Department incurred expenditures in certain budgeted funds which were significantly in excess of the amounts appropriated, as follows:

<u>Fund</u>	<u>Activity</u>	<u>Budget Appropriation</u>	<u>Actual Expenditure</u>	<u>Budget Variance</u>
General	Maintenance	\$	\$ 1,000.00	\$ 1,000.00
General	Payroll taxes	118.00	11,035.75	10,919.75**

**This budget variance was the result of an unexpected invoice being received after year end.

TRI-CITY FIRE DEPARTMENT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2004

NOTE D - Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Fire Department to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Fire Department is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Fire Board has designated various banks for the deposit of Fire Department funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all of the State statutory authorities as listed above, except repurchase agreement, bankers acceptances, state of local obligations and commercial paper not authorized.

The Tri-City Fire Department's investment policy are in accordance with statutory authority and the investment policy of the Fire Department.

At year-end, the Fire Department's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>
Cash and Cash Equivalents	\$
Investments	<u>283,016</u>
Total	<u>\$ 283,016</u>

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>
Bank Deposits (checking and savings accounts, certificates of deposit)	\$ 34,878
Investments in Securities, Mutual Funds and Similar Vehicles	<u>248,138</u>
Total	<u>\$ 283,016</u>

The Fire Department's investments are categorized to give an indication of the level of risk assumed by the Fire Department at year end. Investments are categorized into these categories of credit risk:

1. Insured or registered, or securities held by the Fire Department or its agent in the Fire Department's name;
2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Fire Department's name; and
3. Uninsured and unregistered, with securities held by the counterparty or by its trust department of agent but not in the Fire Department's name.

At year-end, the government's investment balances were categorized as follows:

	<u>Category</u>			<u>Reported Amount (Fair Value)</u>	<u>Market Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
Primary Government:					
U.S. Government Securities	<u>\$245,170</u>	<u>\$</u>	<u>\$</u>	<u>\$ 245,170</u>	<u>\$241,666</u>
Plus accrued interest				<u>2,968</u>	
Total Primary Government				<u>\$ 248,138</u>	

Management believes that the investments of the Fire Department comply with the investment authority as noted above, and the investment policy of the Fire Department.

TRI-CITY FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2004

NOTE E - Capital Assets

Capital asset activity of the primary government for the current year was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 225,000.00	\$	\$	\$ 225,000.00
Capital Assets Being Depreciated:				
Buildings	\$1,145,943.87	\$	\$	\$1,145,943.87
Vehicles	589,105.88		130,000.00	459,105.88
Furniture and Equipment	151,674.37		5,754.21	145,920.16
Subtotal	\$1,886,724.12	\$	\$135,754.21	\$1,750,969.91
Less Accumulated Depreciation for:				
Buildings	\$ 171,127.04	\$ 22,918.88	\$	\$ 194,045.92
Vehicles	310,523.29	32,395.31	121,875.00	221,043.60
Furniture and Equipment	58,887.55	12,248.64	2,349.63	68,786.56
Subtotal	\$ 540,537.88	\$ 67,562.83	\$124,224.63	\$ 483,876.08
Net Capital Assets Being Depreciated	\$1,346,186.24	\$(67,562.83)	\$ 11,529.58	\$1,267,093.83
Governmental Activities Capital Total				
Capital Assets - Net of Depreciation	\$1,571,186.24	\$(67,562.83)	\$ 11,529.58	\$1,492,093.83

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities:	
Public Safety	\$67,562.83

NOTE F - Designated Fund Balance:

The Board has established internally designated funds to be used as follows:

	<u>Fire Trucks</u>
Balance - July 1, 2003	\$277,576.11
Current year activity:	
Board designation	(3,241.60)
Balance - June 30, 2004	\$274,334.51

NOTE G - Risk Management:

The fire department is exposed to various risks of loss related to general liability, errors and omissions, property and crime, vehicle liability, vehicle physical damage, fire legal liability, employee injuries, and fire fighters' accidental death. The West Bloomfield Fire Department insures the Fire Department for all the above liabilities.

REQUIRED SUPPLEMENTAL INFORMATION

TRI-CITY FIRE DEPARTMENT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

For the year ended June 30, 2004

	Budget	Actual	Variance - Favorable (Unfavorable)
Revenues:			
Charges for services:			
Assessments for fire protection	\$ 477,447.84	\$ 477,447.84	\$ -
Interest income	7,418.18	3,128.61	(4,287.55)
Miscellaneous:			
Loss on sale of security		(3,519.41)	(3,519.41)
Donations		100.00	100.00
Other		248.74	248.74
Total revenues	\$ 484,864.00	\$ 477,405.78	\$ (7,458.22)
Expenditures:			
Public safety:			
Contracted services - fire protection	555,000.00	555,000.00	-
Payroll expense - payroll taxes	116.00	11,035.75	(10,919.75)
General Administration:			
General administration and office expense	2,450.00	2,418.26	31.74
Bank service fee	350.00	312.00	38.00
	<u>\$ 2,800.00</u>	<u>\$ 2,730.26</u>	<u>\$ 69.74</u>
Professional fees	4,000.00	3,783.92	216.08
Insurance		(74.00)	74.00
Maintenance - building		1,000.00	(1,000.00)
Variable expenses:			
Contingency fees	500.00		500.00
Severance pay	51,349.00		51,349.00
	<u>\$ 51,849.00</u>	<u>\$ -</u>	<u>\$ 51,849.00</u>
Total public safety	\$ 613,765.00	\$ 573,475.93	\$ 40,289.07
Excess of revenues over (under) expenditures . .	\$ (128,901.00)	\$ (96,070.15)	32,830.85
Fund balance, beginning of year	370,404.66	370,404.66	
Fund balance, end of year	\$ 241,503.66	\$ 274,334.51	\$ 32,830.85

JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

JANZ & KNIGHT, P.L.C.

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YEARS
1954-2004

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
MICHIGAN ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS

November 10, 2004

To the Board and Management of
the Tri-City Fire Department

In planning and performing our audit of the general purpose financial statements of the Tri-City Fire Department for the year ended June 30, 2004, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control structure. However, we noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the Tri-City Fire Department's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements.

- I. Budgets: The adoption of the Michigan Uniform Local Budgeting Act (Act N. 621, Public Acts of 1978), effective for fiscal years beginning after December 31, 1980, has made it mandatory that balanced budgets be adopted and that those budgets be amended before expenditures exceed the budgeted amount. During the year ended June 30, 2004 the fire department had several small budget variances.

We urge the Board to continue to periodically compare budget and actual expenditures and to amend the budget prior to approval of expenditures which will exceed the budget. Budget amendments must be made prior to the end of the fiscal year.

- II. We suggest that cost recovery receivables be followed up on and resolved. As more time passes it is more likely these may become uncollectible.

This report is intended solely for the information and use of the Board, management, and others within the administration. However, this report is a matter of public record, and its distribution is not limited.

We would be pleased to discuss any of the aforementioned items with the Board and to assist in the implementation of these recommendations at your convenience.

Very truly yours,

Janz & Knight, P.L.C.

Certified Public Accountants

J&K/srz